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Folder Title:
Westinghouse [1965]

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Westinghouse

December 27, 1965

Dear Ted,

My letter to Pittsburgh was answered by Mr. M. K. Evans, who advised they would not be interested in a deal such as I proposed.

Did you know that Teledyne stepped in and bought Movible Offshore? This is very interesting and, I think, will open up some new areas of deals such as the ones we discussed.

I hope you have a good New Year.

Best regards,

George H. W. Bush

GB:as

Bc
Copy to: Mr. T. J. Devine
(With copy of Westinghouse letter)

Mr. Ted Coene
Westinghouse Electric Co.
Box 1797
Baltimore, Md., 21203

Ted Coene
911 Laurel
Severna Park
Md 21146

send cc

Copy Evans letter sent 1-11-66
AS

Westinghouse Electric Corporation

3 Gateway Center
Box 2278, Pittsburgh, Pa. 15230

M. K. Evans
Vice President
Operations Services

December 21, 1965

RECEIVED

DEC 27 1965

Mr. George H. W. Bush
Chairman of the Board
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas 77002

Dear Mr. Bush:

Your letter to Mr. Burnham, dated December 6, 1965, inquired whether Westinghouse would be interested in selling off any of its underseas activities. The answer is that we would not, and that we are actively pursuing opportunities in oceanography with our own resources.

I am sure you along with others in our Company feel that the proposed merger of Zapata with Westinghouse was desirable. I can assure you that we gave very serious thought to the proposition, and discussed it with several people whose advice we value in the oil business.

Our conclusion, for a variety of reasons, was that we should not pursue the proposed merger further. This does not mean that we have no interest in underseas activities or that we do not intend to pursue actively the development of this sphere. It in no way reflects on the soundness of Zapata or its management. We simply concluded that a combination of the type proposed was not a desirable channel for Westinghouse to make maximum use of its capabilities.

We sincerely appreciate your interest in this matter and your contacting us again.

Very truly yours,

MK Evans

ml

December 6, 1965

Dear Mr. Burnham,

Some time ago we had some rather extensive talks with your Baltimore people regarding Westinghouse's getting further into the ocean by acquiring an offshore drilling company. We were convinced that a deal of this nature made sense; however, negotiations ceased when it was decided that Westinghouse should not acquire Zapata.

I believe that there is room in our business for a drilling company with a heavy emphasis on other undersea capabilities. I think there is room for an oceanographic company with an offshore drilling firm as a key component.

Inasmuch as the other approach fell through, my question now is, would Westinghouse be interested in selling off any of its undersea activities or in spinning them off into an operating vehicle which would have at the outset all of Zapata as a major component?

We are impressed with your people and their approach to the sea, and although I have no firm proposal in mind, the combination of an already operating offshore drilling company and other undersea operations makes sense to us.

If you feel this has any merit, I would be glad to explore it with whomever you might designate. Enclosed is our latest annual report.

Very truly yours,

George H. W. Bush

Mr. D. C. Burnham, President
Westinghouse Electric Company
3 Gateway Center
Pittsburgh, Penn. 15230
GB:as

December 1, 1965

Dear Ted,

Dillon Anderson has been in New York all this week and is not expected back until next Tuesday, hence the delay.

It was good seeing you in New York.

Best regards,

George H. W. Bush

Mr. Ted Coene
Westinghouse Electric Co.
Box 1797
Baldimore, Md. 21203
GB:AS

Westinghouse

August 3, 1965

Dear Herbie,

Bad news on Westinghouse. Yesterday I got a frantic call from Jack Clotworthy, who's right under Mr. Brown in Baltimore. He wanted to send Ted Coene down here to see how we could get around the objections that Del Brockett had for the deal.

Coene came, and feeling that the deal had kinda been squashed by Brockett, I got Dillon Anderson to call Mr. Burnham, the president of Westinghouse. Burnham told Dillon that he felt that Westinghouse should let Zapata know something and then after that we heard that they had definitely decided not to proceed further at this point.

Mr. Brown is supposed to call me this afternoon to tell me this, but I wanted to get this typed before leaving the office.

This leaves Lockheed on the fire and, I hope, burning strongly. I'll let you know as soon as I hear something from them.

Naturally, I'm extremely disappointed in this since the Westinghouse deal looked like it was going to be a natural.

Bar and I are planning to get up there early Sunday afternoon. See you soon, and I'm sure looking forward to getting there.

Best regards,

GB:as

George H. W. Bush

P. S. Enclosed are copies of Brockett's objections and my comments on them.

Bc: Mr. Thomas J. Devine

COMMENTS WITH REFERENCE TO JULY 19TH INTERVIEW
WITH MR. BROCKETT - GULF OIL COMPANY

GENERAL:

It appears that many of the comments were made in reference to a broad question which might have been phrased, "What do you think about Westinghouse's getting into the drilling business?" It is my impression that Mr. Brockett's comments were related to Westinghouse's participating in some isolated fashion in the drilling business and did not relate to the over-all Westinghouse plan as I understand it.

SPECIFIC COMMENTS ON POINTS RAISED BY MR. BROCKETT:

1. It is true that the drilling business is a highly competitive one with many marginal operators and with many failures each year; however, these comments are not true when related to the offshore drilling business. The offshore business does not have many marginal operators. There are more drilling contractors today than there were four or five years ago, and, due to the vastly increased demand for drilling rigs, business has been less competitive recently than in the past. This is not to say that we are not in a competitive business. We are, but recently the industry has been profitable and the clear distinction should be made between the offshore drilling business and the land drilling business.

In the land drilling business, marginal operators are often put into business by supply companies or other owners of second-hand drilling equipment with the meager hope that they might make the grade. These people are traditionally under-capitalized and open incapable of running a business.

In the offshore industry, on the other hand, sufficient capital is required to enter the business to preclude marginal operators emerging on the scene. The drilling business is competitive, but, in recent years, much of the work has been negotiated and in in no instances are there straight footage contracts such as exist in the land drilling business.

In conclusion, I think the point here is to clearly differentiate between the land drilling business, which is exactly as Mr. Brockett describes it, and the offshore business, which is better now and has a far brighter future.

2. Generally speaking, Mr. Brockett clearly spells out the way drilling operations are conducted. It seems to me that this comment detracts in no way from Westinghouse's carrying out its over-all plan for the sea. As I understand it, it is not Westinghouse's intention to try to remove from the oil company any authority of controlling the job "from beginning to end." It is our intent, through research and other ways, to provide a broader service to the oil companies and an improved service to the oil companies so that they can get their weels drilled more efficiently and with a resultant lower cost.

3. It is definitely not Westinghouse's intention, as I understand it, to experiment "on company time." Again, the idea is to offer a range of services which would permit the company to get its oil into production more quickly and more efficiently. Any experimentation would be done through research and not "on the job." One of the attractive areas of the proposed deal is to get some new thinking into the area of underwater completion, underwater storage, underwater transportation, etc. It seems to me that in these broad areas, and in many more, the Westinghouse plan could make a real contribution forthe benefit of the oil companies.

4. It is not the intention of the Westinghouse plan to provide specialized drilling equipment to the drilling companies. The plan does entail making improvements in drilling methods, but then pass these along to the oil companies through Westinghouse's own operating company. Thus, Mr. Brockett's objection seems to me to be negated. There is unquestionably room in the drilling business for a large company with the resources to develop new techniques not only in drilling itself but also in the broad area of the sea and its relation to the drilling operation. Any specialized equipment developed would be used in conjunction with an over-all system which would be offered to the oil companies on a contract basis.

Without an accurate insight into all the supplies that Westinghouse is currently selling to drilling contractors, it is hard to make a definitive statement, but from my knowledge of Westinghouse's current supply position, I do not believe they would lose present business because of their ownership of a drilling company. Westinghouse just is not furnishing that much to the drilling industry at present.

In conclusion, then, should Westinghouse come up with any advanced techniques or improvements, it would be the goal to profit from these by using them in the drilling subsidiary rather than trying to sell them to other drilling companies.

5. This is an accurate statement as to Gulf's position and the position of almost any major oil company. The major oil companies formerly were in the drilling business, but they got out because (a) drilling companies could do the job cheaper, and (b) the oil companies did not have to stock a large assortment of drilling rigs around the world, each of which might have different capabilities. The fact that Gulf got out of the drilling business does not, in my opinion, condemn the drilling business, per se. For example, drilling must be done in many water depths and by having contractors available, Gulf does not have to have a broad array of drilling rigs. As to the corporate benefits, Mr. Brockett's comment is probably most valid. I think it would be fair to mention, under this heading, that the oil companies are not in the logging business, nor the cementing business, nor any of the other contracting services related to drilling and production simply because specialists can provide the services to the company more efficiently and more cheaply. It is in this area that we should hope to make a very important contribution.

8. I think Gulf's position as spelled out by Mr. Brockett is the position of other oil companies, except I think some of the other oil companies seem to be doing more in this area now than apparently Gulf is doing. The Westinghouse plan would remove much of the burden for developing these new techniques from the oil companies since part of the Westinghouse plan envisages Westinghouse's coming up with new techniques not only for drilling but for production as well. After checking with several oil companies, I believe they would welcome a broad range of advanced services being supplied by a contractor. I should think that oil companies would like to have a well-financed, forward-looking company such as Westinghouse developing new techniques and supplying a broad range of services.

9. It is true that Westinghouse probably would not be able to furnish to Zapata management with in-depth experience in drilling; however, Westinghouse would be able to furnish, and the over-all plan envisages this, many people with broad capabilities in the area of research and with much experience in the sea in general. I presume that when Mr. Brockett says "it would add nothing to an acquired company", he is talking about drilling hands. This company has plenty of capability in the pure drilling field. Westinghouse's contribution would come through research and through furnishing people with practical experience in the sea and people capable of coming up with new ideas and new approaches, not only for drilling but for the broad range of services which the Westinghouse plan envisages. I believe that the Westinghouse management could tell through various checks as to whether its subsidiary was doing an adequate job in its operations.

6. It is true that several dry holes have been drilling in the North Sea. I do not know the extent of the commitments of all the oil companies; however, I believe it would be difficult for the oil companies to abandon their commitments to the British Government on the basis of a "few more dry holes." Certainly Mr. Brockett is in a better position than I do judge this situation. If the North Sea were totally abandoned today, it would throw a surplus of deep water drilling rigs on the market. However, it is possible that this surplus would be absorbed over the next few years by some other drilling areas such as Nigeria, the Middle East, Asia, etc. The other side of the coin should be considered here also; namely, that one or two big discoveries in the North Sea could stimulate another drilling boom for the offshore equipment. If the North Sea should prove productive, certainly fourteen drilling rigs would not be sufficient for this vast area.

Also to be considered is the demand for drilling equipment on the European side of the North Sea where drilling has yet to start.

In summary, if the North Sea proved to be non-productive, it most certainly would have an adverse effect on the offshore industry, but even limited success in the North Sea will keep the present rigs busy for several years.

7. The Oil and Gas Journal of August 2, 1965, contains an article about deep water drilling on the West Coast. Several oil companies are already considering new commitments for deep water drilling. It is true there are no development programs under way in extremely deep water; however, part of this stems from the cost of applying present techniques to deep water drilling. Should research develop better ways and more efficient ways to drilling in the deeper waters, I am convinced the companies would undertake drilling there. I would agree there are many areas yet to be explored where drilling is possible in shallow depths. In fact, the increase in shallow water drilling has provided a large amount of the demand for offshore drilling equipment. There is a "glut" of oil on the market today; however, Westinghouse's plan is not a short-term plan and the glut has not produced a decreased in the offshore drilling, domestic or abroad. Figures show there are very many more drilling in the world today than there were three or four years ago. The long-range demand figures for petroleum are most encouraging. The offshore area tends to enjoy a disproportionate amount of attention since many people feel that the larger reserves yet to be found are under water. Many feel that the offshore business is still in its infancy.

In summary, without disregarding the problems facing the world oil market today, I think it is far to say that the offshore areas are the bright spots in an industry which does have some serious problems facing it, and further that long-term demand projections are so encouraging that offshore drilling must increase to meet the oil needs of the future. There will be dips in the rate of offshore drilling and certainly these dips will cause increased competition, but, on balance, the demand curve for offshore drilling should go up over the long pull.

UNDERWOOD, NEUHAUS & CO.
INCORPORATED
HOUSTON, TEXAS

C O P Y

July 27, 1965

Mr. George Bush, President
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas

Dear Mr. Bush:

As you know, we have been working with Bob Gow for a number of months with respect to your interest in entering some phase of the marine sciene, oceanography and/or commercial fishing business.

I have always had a verbal understanding with Bob that should Zapata acquire any of the companies which we were to introduce, we would be compensated 5% of the gross purchase price. At the moment it appears that Emmetts Sea Food Company and Magnolia Seafood Company come into that catagory.

Naturally this raises the question of whether we are entitled to compensation should Zapata sell into this business by merger or some type of joint venture with Westinghouse. Our feeling, Mr. Bush, is that we were acting in your interest when we recommended Zapata from a list of companies shown us by Westinghouse's representative, Mr. Tom Taylor. Mr. Taylor did come to us voluntarily and asked our professional opinion. We gave it to him on the basis of our prior knowledge of your special interest in the ocean in general, so it was that the first meeting between you was arranged by us. We, therefore, feel it only fair that should such a transaction take place between Zapata and the Westinghouse Electric Company, we should be compensated as finders in the amount of $10,000.

If the above mentioned fees are acceptable to you, I would appreciate your signing the attached copy of this letter and returning it for our files.

We look forward to a continued working relationship with Zapata and sincerely feel that our proposed compensation is compatible with services performed.

Sincerely yours,

Peter B. Elliman

Peter B. Elliman
Corporate Finance Department

PBE:caj

Accepted by:

Geo Herbert Bush
Zapata Off-Shore Company

C O P Y

Come

Pittsburgh Office - 24 North

July 19, 1965

Interview with Mr. Brockett - Gulf Oil Company

Mr. D. C. Burnham, President
Mr. R. H. Campbell, Executive Vice President
Mr. C. L. Wilcox, Executive Vice President
Mr. G. G. Main, Vice President, Finance

cc: Mr. C. H. Weaver, Group Vice President, Atomic, Defense & Space

On July 16, Messrs. Burnham, Wilcox, Weaver and Evans met with Mr. Brockett, President of Gulf Oil Corporation, to discuss Westinghouse entry into the offshore drilling business through acquisition of a drilling company.

During the interview, Mr. Brockett made the following key points:

1. The drilling business is a highly competitive one, with many marginal operators of which a significant number fail each year.

2. In all drilling operations, the oil companies control the job from beginning to end. They contract with drillers on the basis of competitive bids, usually on a per diem basis. In some cases, incentive contracts are let. In every case, the oil companies designate the location of the drilling operation, the depth to which the hole will be drilled, and all other significant matters pertaining to the operation. The driller carries out the instructions of the oil company, and does very little on its own except control the efficiency with which the operation is carried out.

3. A driller would have little or no chance to experiment with underwater completion techniques. If oil is produced from a well, the oil company is anxious to get it into production as quickly as possible and would control any experimentation which might be done with completion techniques.

4. Since the drilling business is so highly competitive, it is very unlikely that other drillers would buy specialized equipment developed by a drilling company. They would prefer to buy it from an equipment supplier who is not in competition with them in the drilling field.

5. Gulf got out of the drilling business many years ago. Under the present setup, they contract all drilling operations. In this manner, they do not require the heavy investment in drilling equipment nor do they have to pay their corporate wage rates and fringe benefits for the drilling operations.

6. The drilling operations presently being conducted in the North Sea have not as yet been successful. If a few more dry holes are drilled, and it is decided to abandon drilling in the North Sea, there will be a number of drilling rigs available for offshore drilling in other parts of the world.

7. The need for drilling in deeper water is not yet near-term. There are many areas yet to be exploited where drilling is possible in shallow depths. Furthermore, there is a glut of oil on the market in the world today. Gulf itself has fifty years supply from known reserves.

8. When deeper water drilling and underwater completions become more imminently needed, experimentation and development work will undoubtedly be conducted and sponsored by the oil companies. Mr. Brockett would be glad to have Gulf work with Westinghouse in this field.

9. Mr. Brockett pointed out that, since Westinghouse has no management experience in drilling, it would add nothing to an acquired company. It would not be able to determine whether or not the acquired company was doing an adequate job in its operations.

Although Mr. Brockett indicated he would like to give the matter some more thought, his immediate reaction was that it would not be wise for Westinghouse to invest upwards of $25 million in the acquisition of an offshore drilling company.

M. K. Evans

M. K. Evans
Vice President
Operations Services

ml

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: George H. W. Bush

CC:

FROM: Robert H. Gow

DATE: May 19, 1965

SUBJECT: Westinghouse

It might be a help to you to have the following information when you meet Westinghouse to talk price.

1. The only price ever mentioned to Westinghouse personnel was a very tentative speculation to Harry Gunther. This was strongly qualified by statements that it would be you and Herbie that decided.

This speculation was that you and Herbie might sell for $25/share or $5.00 above the market, whichever was higher at the time. (Stock was then about $19.00)

2. Zapata stock hit 20-7/8 on April 8th. It has never been below 20-3/4 since. The range from April 8 to the present, (May 19), has been 1-1/2 points, from 20-3/4 to 22-1/4. Thus, it is indeed reasonable to maintain that an actual market present level for Zapata stock has been set at about 21-1/2.

3. It has been the pattern for Zapata stock to move up, hold a level for a while and then move up again as we approach the introduction of new rigs. Thus in the present market environment and assuming no rumors, surprises, hurricanes, etc., we should have a rise to a new range. Based on past performance, this rise could occur any time from quite soon to a couple of months from now. However, it is very likely to occur and most important, <u>the occurance of such a rise</u>, which will be accompanied by high volume <u>will not necessarily be the result of merger rumors.</u>

4. The price of Westinghouse stock at the close Tuesday, May 18, was 53-5/8. Highs and lows for Westinghouse Electric during 1965 are 54-1/4 and 43-3/4. Like Zapata, Westinghouse is in a high range after an extended rise.

Thought it would do no harm to give you this information. Good luck!

G. T. Coene

a/c 301 765 - 7410
or 7400

Baltemore, Maryland

Westing house

Westinghouse-file

<u>Westinghouse Meeting April 29th, 1965</u>

Baltimore, Md.

Present:

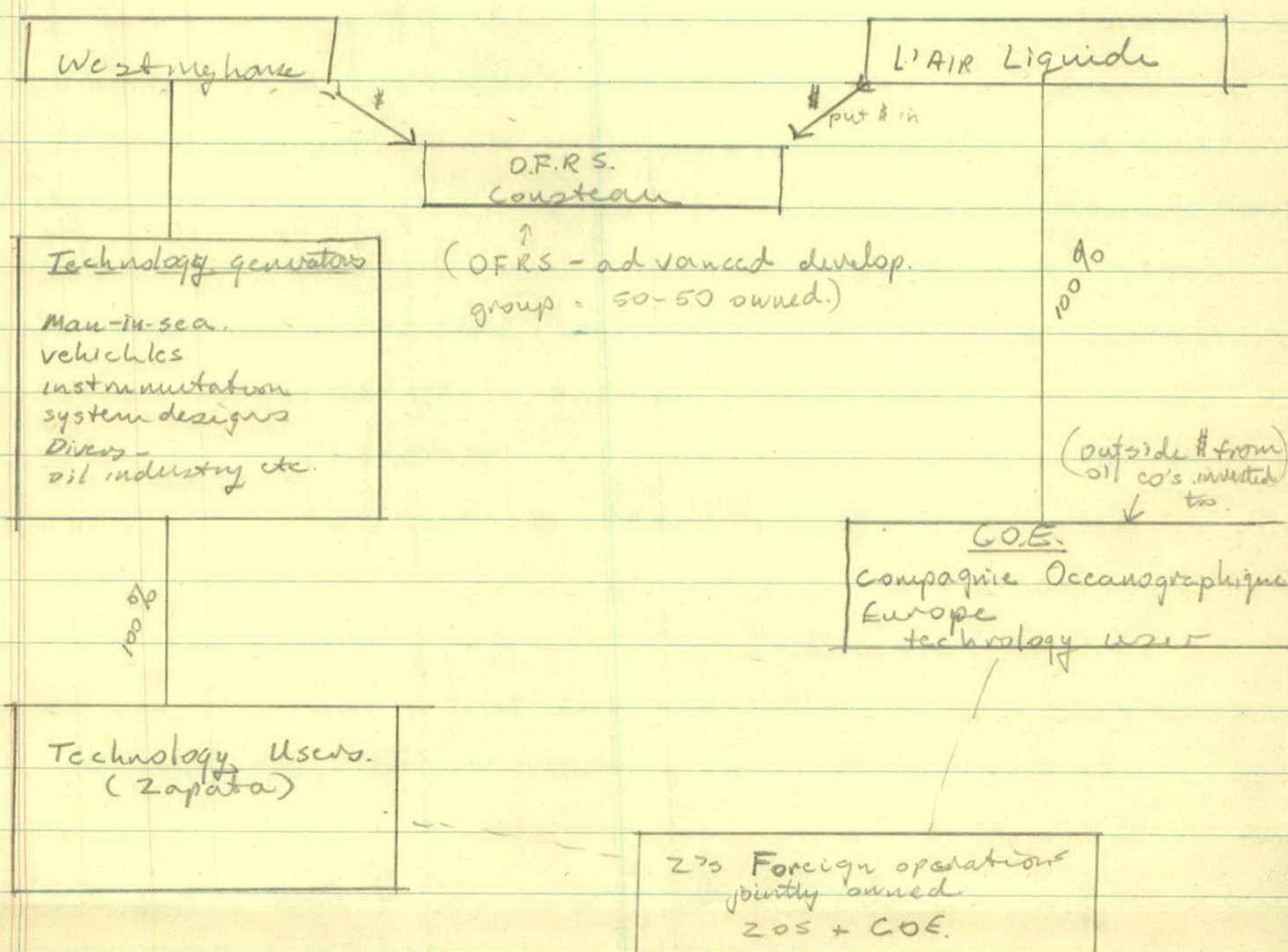
G. Buck

T.J. Devine

Jack Clotworth, v.p. West.

Harry Gunther, asst to pres - division

conshelf - coming in 300' water - living on bottom.



Westinghouse

April 26, 1965

Dear Mr. Clotworthy,

Mr. Bush is out of the city, and he asked me to thank you for your letter of April 21st giving directions for reaching the Defense and Space Center Central Services Building.

He does plan to drive from Washington to Baltimore on Thursday, April 29th, arriving about 9:00 A.M. He asked me to tell you that he may bring Tom Devine, one of Zapata's directors, with him.

Sincerely,

Aleene Smith

Mrs. Hargrove Smith
Secretary to Mr. Bush

Mr. John H. Clotworthy, Vice President
Westinghouse Electric Corporation
Box 1797
Baltimore, Md. 21203

Ted Coenne Ext 7410

Westinghouse Electric Corporation

John H. Clotworthy
Vice President
Westinghouse Defense & Space Center
General Manager, Underseas Division

301-761-1000

Box 1797
Baltimore, Md. 21203

April 21, 1965

RECEIVED
APR 23 1965

Mr. George Bush
Chairman of the Board
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear George:

This is just to confirm again our meeting for Thursday, April 29, in Baltimore. Mr. B.M. Brown, President of the Defense and Space Center, will be on hand that day and following a meeting with him, Harry Gunther and I will give you the cook's tour. In addition, of course, we would like to discuss with you our developing thoughts on approaches to off shore oil in the years ahead.

If you are driving over from Washington, I'd suggest you go directly to the Defense and Space Center Central Services Building and ask for Mr. Brown who will be expecting you. When you come up the Baltimore-Washington Parkway, turn off at the signs leading to Friendship Airport and then again before reaching the Airport, turn off on Route 170. The plants will be just to your left after you make the turn and the Services Building, with a glass facade, is in the middle of the complex.

We are looking forward to your visit.

Sincerely,

Jack

JHC:ga